

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Extended Study Session

October 28, 2002
6:00 p.m.

Council Conference Room
Bellevue, Washington

PRESENT: Mayor Marshall, Deputy Mayor Degginger, and Councilmembers Creighton, Davidson, Lee, Mosher, and Noble

ABSENT: None.

1. Executive Session

Mayor Marshall opened the meeting at 6:00 p.m. and announced recess to executive session for 45 to 60 minutes to discuss one item of property acquisition and one item of potential litigation.

The study session resumed at 6:58 p.m. with Mayor Marshall presiding.

2. Oral Communications

- (a) Olemara Peters submitted her comments in writing and discussed concerns about placing telecommunications relays closer together and the appropriate monitoring of emissions.
- (b) Elizabeth Raymond expressed concern about the placement of cell towers in the community and tower emissions.
- (c) Stacy Anderson attended the recent open house hosted by the Downtown Implementation Plan Citizen Advisory Committee. She spoke in favor of sidewalk development along Main Street and a study to prioritize buildings with architectural, cultural, or historical significance. She suggested the Catholic church on Main Street as a location for the future Eastside Heritage Center. She encouraged more trees in the downtown area, a green space south of Main Street, and the preservation of Main Street as a view corridor. Ms. Anderson expressed concern that only three of the 36 CAC members are neighborhood representatives. She feels there should be fifty percent representation by the neighborhoods.

3. Study Session

(a) Council New Initiatives

City Manager Steve Sarkozy noted Councilmember Lee's participation on the Reinvesting in Youth Steering Committee. Mr. Lee said the purpose of the initiative is to bring about a fundamental change in the way juvenile justice and youth services are delivered in King County, with an emphasis on early intervention and prevention. The Steering Committee is requesting a commitment of \$10,000 to \$15,000 from the City of Bellevue in 2003. Financial support from local governments will help leverage private funding as well.

Jim Street, Director of Reinvesting in Youth, discussed maps showing the distribution of juvenile offenders throughout King County. He said the initiative's planning phase has been completed and the organization has filed applications for funding from multiple sources. Mr. Street described Reinvesting in Youth as a regional partnership of state legislators, law enforcement, school boards, nonprofit organizations, and local governments. The group seeks to reimburse local governments for expenditures on designated Reinvesting in Youth programs. The initiative provides an opportunity for cities to leverage additional funding for public safety prevention and intervention. The City of Seattle has committed \$110,000 and financial commitments have been received by Auburn, Burien, Federal Way, Kent, Mercer Island and the Port of Seattle. Mr. Street said the organization is seeking reform in the funding of juvenile justice and youth services at the state and local level.

Responding to Councilmember Mosher, Mr. Street said the project is expected to continue for six years. Mr. Street said government leadership is necessary to achieve the desired level of private funding and support.

Responding to Mr. Noble, Mr. Street said the Reinvesting in Youth plan involves expanding the number of interventions through three program approaches. Phase II, scheduled to begin in 2005, emphasizes improved early intervention and better coordination between the criminal justice system, mental health system, and the foster care system. Mr. Street noted his prior experience as a juvenile court judge and the need for enhanced coordination of services. He said the service providers will be existing nonprofit organizations.

Mayor Marshall thanked Mr. Street for his presentation and Mr. Lee for bringing the initiative to Council's attention.

- (b) Resolution No. 6771 authorizing the amendment of professional service agreements with Shields Oblatz Johnsen; Buck & Gordon; JGM Landscape Architects and subconsultants; and an environmental consultant from \$305,000 to a total not to exceed \$450,000 to complete all work necessary to finalize the purchase of the Boeing property, complete the master plan, and prepare the environmental impact statement (EIS).

Mr. Sarkozy requested Council's consideration of Resolution No. 6771 regarding the purchase and design of the Eastgate Boeing property.

Parks and Community Services Director Patrick Foran said Resolution No. 6771 authorizes the amendment of professional services agreements with a team of consultants to complete work related to the acquisition of Boeing property in the Eastgate area. It authorizes the negotiation of a purchase and sale agreement, legal services and technical studies, and a full master planning process including environmental impact statement (EIS) review should the City decide to purchase the property. Much of the work has been completed. However, additional funding is needed to complete the master planning process, develop the EIS, and provide legal services to complete the transfer of the property. Staff requests an amendment to provide additional funding not to exceed \$145,000 for a total contract cost of \$450,000.

Mr. Foran explained that the original contract with JGM Landscape Architects for \$155,000 will be increased to \$190,000. The funds will be used to pay for specialized consulting services needed to fully address the site's former use as a landfill and its future park and sports field use. JGM worked with the Washington State Department of Ecology to acquire a No Further Action (NFA) letter for the site, indicating the absence of fatal flaws that would prevent park development. Additional funds are requested for legal and landscape architect services related to 30 easements and covenants affecting major electrical lines, parking access and egress, realignment of the road, and the realignment of property boundaries.

Mr. Foran said staff expects considerable community interest in park development on the site, indicating the need to develop more plan alternatives for review and discussion. Staff's estimates for the cost of preparing an EIS have been increased.

In response to a previous request by Mayor Marshall, Mr. Foran distributed a handout outlining the budget and work plan for Capital Investment Program (CIP) Project No. P-AD-27. Mr. Foran said the original intent of the project was to provide funds for updating the parks and open space plan. A downtown park and open space needs assessment was funded through this project. Funds are also slated to be used for Botanical Garden master planning and the City's wetlands partnership with Pacific Science Center. This leaves uncommitted funds of \$237,000, plus the \$145,000 requested by Resolution No. 6771 for the Boeing site.

Responding to Deputy Mayor Degginger, Mr. Foran said city staff will lead and coordinate the public involvement process. Consultants will attend meetings as a technical resource and to translate public input into alternatives for consideration. Mr. Degginger suggested this consulting work be arranged through a separate contract. In response, Mr. Foran noted staff's desire to expedite the process. He said most of the technical evaluation work has been completed through the City's due diligence process, resulting in relatively low estimates for public involvement costs.

Noting the complexity of the Boeing site due to its former use as a landfill, Councilmember Lee expressed concern that project costs will continue to increase. He emphasized the importance of developing accurate project estimates, particularly given the City's current budget constraints. Mr. Foran feels the costs for the remaining work to be completed, including the master planning process, are fairly predictable.

Dr. Davidson suggested separating the contract involving pre-acquisition due diligence work from the master planning process. Mr. Foran clarified that the master planning process and EIS preparation were included in the original scope of work. However, unanticipated developments during the due diligence phase increased costs for necessary technical and legal services.

Mayor Marshall referred to Attachment A in the Council packet (Page 3-6) and commented that the scope of work outlined for JGM Landscape Architects is the same scope of work originally approved by Council. She questioned the justification for a \$35,000 increase in the contract amount for JGM. Mr. Foran explained that during the due diligence work, staff authorized JGM to hire an additional consultant to further evaluate specific issues related to the former landfill on the Boeing site, at an estimated cost of \$10,000. Additional unanticipated costs include \$5,000 to coordinate the No Further Action letter from the Department of Ecology and approximately \$5,000 to reevaluate the original site analysis.

Mayor Marshall expressed concern that additional work was completed without Council's approval and that consultants' costs have increased even though they agreed to complete the work for the contracted amount. In reference to the EIS, Mr. Foran said staff originally estimated a cost of \$50,000. Noting the request to increase this to \$75,000, Mr. Foran speculated the EIS would cost significantly more if it were contracted separately from the other work.

Deputy Mayor Degginger suggested separating the master planning activities to be conducted by JGM and the Environmental Consultant from the current contract. Mr. Foran said additional funds will still be needed for the current contract to cover legal services.

City Manager Steve Sarkozy said staff will return with separate contracts for Council approval.

- Deputy Mayor Degginger moved to approve Resolution No. 6771, amended to:
 - 1) authorize amendment of the professional services agreement with Shields Oblatz Johnsen and Buck & Gordon, increasing the contract amount by \$85,000 to a total not to exceed \$390,000, and 2) direct staff to return with separate contracts for master planning activities by JGM and the EIS Environmental Consultant. Mr. Mosher seconded the motion.

Mr. Lee concurred with Mrs. Marshall's concerns about the contract with JGM.

Mr. Creighton said he is always concerned when a contract increases by fifty percent. However, this has been a complex project requiring numerous unanticipated work items. He feels Council should not be surprised by a cost increase given the amount of work and oversight to date. In the larger scope of the project, Mr. Creighton feels the dollar amount is not significant.

Mayor Marshall clarified that if Council approves a contract's scope of work and dollar amount, Councilmembers should be informed about any change in the scope of work before they are asked to approve additional funding.

Mr. Degginger feels it is appropriate to separate the preliminary due diligence work from the master planning process. Mr. Mosher agreed and would like to clarify cost overruns from the first phase of work before moving on to the next phase.

- ➡ The motion to approve Resolution No. 6771, amended as follows, carried by a vote of 7-0: 1) authorize amendment of the professional services agreement with Shields Oblatz Johnsen and Buck & Gordon, increasing the contract amount by \$85,000 to a total not to exceed \$390,000, and 2) direct staff to return with separate contracts for master planning activities by JGM and the EIS Environmental Consultant.

(c) Regional Issues

Diane Carlson, Director of Intergovernmental Relations, recalled Council's approval on September 9 of Cascade Water Alliance's draft Action Plan. The current Cascade Interlocal Agreement must be modified to provide Cascade the authority to implement the Action Plan.

Michael Gagliardo, General Manager of Cascade Water Alliance, said the original Interlocal Agreement was approved in 1999 and amended later that year. The amendment process involves two steps: 1) adoption by the Cascade Water Alliance Board by a 65 percent dual majority vote, and 2) ratification by member cities' legislative bodies. The dual majority requirement means each Cascade member has one vote as a member plus additional votes based on size (demand for water). [Proposed amendments to the Interlocal Agreement are summarized in a memo from Mr. Gagliardo beginning on page 4 of the Regional Issues packet.]

Dr. Davidson noted Deputy Mayor Degginger will communicate Council's input as Chair of the Cascade Water Alliance Board of Directors. Mr. Degginger feels the draft Amended and Restated Interlocal Agreement is consistent with the principles articulated by Council over the years. Dr. Davidson expressed support for Cascade's approach to a true regional partnership. Mayor Marshall thanked Mr. Gagliardo for his work with Cascade Water Alliance.

Moving to the next item, Ms. Carlson noted the September 27 report on health and human services issued by the King County Council Regional Policy Committee (Page 14 of Regional Issues packet). In July, the RPC adopted a work program to review countywide human services funding and priorities. Ms. Carlson referred Council to Attachment A (Page 21) of the packet for a list of short-term funding recommendations under the following categories: self-sufficiency programs, criminal justice programs, and crisis intervention services. RPC recommendations total approximately \$580,000 more than the King County Executive's recommendations. Task II of the RPC work program includes a review of service provision and governance issues and an emphasis on adopting a legislative strategy for securing state and federal funding. There is no assumption that King County will be the administrator of the regional system.

Ms. Carlson posed the following questions for Council's consideration: 1) Does Council agree with the need for regional human services? and 2) Does Council support the RPC taking this effort to the next step (Task II)? King County is allocating approximately \$10 million to human services in 2003, a reduction of \$6 million from 2002. By 2004, the King County budget

shortfall will be sufficiently serious to place all services not specifically required by the state constitution and county charter in jeopardy.

Dr. Davidson is frustrated with King County's budget crisis and its efforts to discontinue many programs and services including park operations and human services. He noted that King County has worked to become a regional provider of services over the past 10 years, even though unincorporated areas have dwindled through annexation by cities. He resents that local governments are now pressured to make broad, long-term decisions in response to the county's current crisis.

Mr. Noble encouraged a focus on the best way to meet human services needs and the appropriate role for government in meeting these needs. He supports the Regional Policy Committee's efforts to develop a better regional mechanism for providing human services.

Mr. Lee concurred with Dr. Davidson's comments about King County's budget crisis. He feels the delivery of human services should be addressed separately from the issue of correcting what led to King County's current situation, however.

Mr. Mosher said RPC's current effort presents an opportunity for leadership. He acknowledged that an appropriate level of financial commitment will be a difficult issue.

Dr. Davidson is concerned about adding a new layer of government, potentially with a new taxing authority. Mayor Marshall noted ARCH (A Regional Coalition for Housing) as a model of an effective regional partnership. Deputy Mayor Degginger agreed there are effective models for administering the delivery of services without creating excessive overhead costs and bureaucracy.

Mayor Marshall noted Council agreement that local governments have a role in providing human services. Following additional brief discussion, Council indicated support to proceed with the proposed Task II items:

1. Agree on core guiding principles of a governance model, leaving the specific details for later in the process.
2. Develop the specific list of regional and local services and the baseline set of services (and associated costs) that should be made available countywide.
3. Determine criteria to be used in deciding which agencies will be eligible for funding in the new model.

Ms. Carlson referred Council to packet materials regarding development of the 2003 State Legislative Agenda and Policy Statement, beginning on page 34 of the Regional Issues packet. She noted transportation remains a top priority and funding is being pursued through Referendum 51 on the November 5 ballot. This section of the legislative agenda will likely be revised following the election. Ms. Carlson said the establishment of a Regional Transportation Investment District (RTID) will depend on the outcome of Referendum 51 and Seattle's monorail initiative. As a new legislative issue, a number of larger cities in the state are interested

in making corrections to the street utility statute to allow cities to begin using this local revenue. Staff recommends Bellevue's support of this item.

Ms. Carlson reviewed additional items for the draft 2003 Legislative Agenda:

- Staff recommends adding tax increment financing as a Tier 1 issue. This refers to a coalition of businesses and cities working on legislation to allow minimal state participation in tax increment financing (TIF).
- The model ordinance for city B&O (business and occupation) taxes is completed and the larger cities, including Bellevue, will be adopting it by the end of January 2003.
- Counties and cities are working to develop a joint position regarding new revenue authority for local governments. Staff recommends adding language to the legislative agenda expressing general support for efforts to identify acceptable local revenue options.
- The Entertainment Industry Coalition seeks measures to extend non-tribal gaming operations. Mike Doubleday, lobbyist for the City, said this issue is not likely to go away as cities hardest hit by the economic downturn see it as an opportunity for new revenue. Mayor Marshall is opposed to including this issue on the legislative agenda. Mr. Lee and Mr. Mosher concurred. Mr. Mosher commented on discussions of the issue by the Association of Washington Cities. He feels the Coalition's estimates of potential revenues are overstated. City Manager Steve Sarkozy is troubled by the proposal to put \$7.5 million into tax increment financing to generate jobs, while some cities are rushing to accept gaming as a source of economic development. Mayor Marshall agreed.
- Staff recommends maintaining water supply as a Tier 1 issue. Ms. Carlson said cities are opposed to several elements of the governor's draft water proposal, including charges to urban water customers for fish habitat and agriculture projects. Deputy Mayor Degginger indicated that competing proposals are under development.
- Annexation is a new legislative issue following the state Supreme Court decision invalidating the petition method. Mr. Mosher is working with AWC to draft recommendations for the state legislature's consideration. He noted the Supreme Court is reconsidering its decision due to unanticipated implications.
- The building code issue has been on the legislative agenda since Uniform Building Codes were last adopted in 1997. Attempts to persuade the legislature to adopt International Building Codes have failed.
- Ms. Carlson noted a new legislative item to identify alternatives for providing municipal court services and to clarify local government's authority to cooperatively provide these services through interlocal agreements.
- Staff recommends maintaining human services as a Tier II issue as the State and King County move to reduce funding in this area.

Ms. Carlson said the King County Executive is proposing legislative changes to allow conservation futures tax and real estate excise tax collections to be used for operations and maintenance costs.

At 9:05, Mayor Marshall declared a 10-minute break. The meeting resumed at 9:15 p.m.

(d) Wireless Communications

Mr. Sarkozy introduced staff's presentation of a broad overview of the regulatory framework for wireless service providers and an update on the Planning Commission's review of possible Comprehensive Plan and Land Use Code amendments. Council will be asked to take action on Resolution No. 6751 authorizing the execution of telecommunications right-of-way use agreements with AT&T Wireless Services and Cingular Wireless. Mr. Sarkozy said the process and framework for the right-of-way use agreements was a topic in tonight's executive session due to the potential for litigation.

David Kerr, Franchise Manager, recalled Council action on October 7 to postpone consideration of Resolution No. 6751 to allow staff to provide more details on the ongoing process. He explained that right-of-way use agreements are a form of master permit established by state telecommunications law. They provide general authority for right-of-way use under franchise-like terms and conditions. The City currently has 19 right-of-way use agreements in place – 12 with fiber providers and 7 with wireless carriers. Regional Bell companies such as Qwest and Verizon are exempt from the need for local ROW use agreements because they have a statewide grant of franchise. Cable TV companies use the right-of-way through their cable franchise authority.

Mr. Kerr briefly reviewed the permitting process for wireless right-of-way deployment, noting that the Land Use Code permit review process runs parallel to the ROW permit review process.

Mayor Marshall asked whether Councilmembers had any questions on Resolution No. 6751.

Resolution No. 6751 authorizing the execution of right-of-way use agreements with AT&T Wireless Services of Washington, LLC, and Cingular Wireless, LLC, for the installation and operation of wireless communications facilities in certain City rights-of-way.

➡ Dr. Davidson moved to approve Resolution No. 6751, and Mr. Mosher seconded the motion.

➡ The motion to approve Resolution No. 6751 carried by a vote of 7-0.

Kate Berens, Legal Planner, provided an update on the Planning Commission review process. She recalled Council approval in August of Resolution No. 6739 directing continued consideration of potential amendments to wireless policies in the Comprehensive Plan. The Planning Commission hosted an expert panel discussion on October 2, which provided an opportunity for residents to pose questions to the panel. A neighborhood and provider panel discussion was held on October 16. An upcoming open house will be held prior to a Planning Commission study session on wireless regulations. Finally, the Commission will hold a public hearing on the issue in December or early January.

Ms. Berens said the Commission is considering a tiered approach to establish regulations outlining preferred wireless equipment design parameters. Applications meeting the preferred

design parameters will be processed through a fast, predictable permit process. Applications with elements falling outside of the design parameters will be subject to additional processing and requirements. The policies will encourage undergrounding of equipment.

Deputy Mayor Degginger attended the panel discussion of residents and telecommunications providers and appreciates the Commission's work.

Mr. Noble feels the undergrounding of equipment will help address residents' concerns about the placement of equipment in neighborhoods. He expressed concern about pending applications since the policies could change soon. Responding to Mr. Noble, Ms. Berens noted seven or eight pending permit applications at this time. Staff plans to return in January with the Commission's recommendation for Council.

Mayor Marshall suggested providing temporary incentives to pending applicants to underground their equipment, until the Planning Commission completes its review and submits a recommendation to Council. Mr. Mosher wants to be sure the Planning Commission receives appropriate legal advice regarding the range of feasible alternatives. Mr. Lee is in favor of incentives to encourage underground equipment.

Responding to Dr. Davidson, Ms. Berens said the permit process is typically six to eight months, although some are significantly longer. Dr. Davidson is concerned that introducing incentives for current permit applications will cause delays for the providers. Ms. Berens noted the incentive option would require providers to revise and resubmit their plans for review by city staff. Deputy Mayor Degginger commented that providers would likely not be able to complete revisions to their plans before the Planning Commission submits its recommendation in January.

Mr. Sarkozy suggested waiving lease rates for a period of time as an incentive to underground equipment, which represents no out-of-pocket loss to the City. He feels this would be worth pursuing with the small pool of pending applicants. Deputy Mayor Degginger requested a list of the locations affected by pending applications.

- ➡ Mr. Lee moved to direct staff to pursue negotiations with pending wireless provider permit applicants that would waive lease rates for a period of time as an incentive to undergrounding the wireless equipment. Mr. Mosher seconded the motion.
- ➡ The motion to direct staff to pursue negotiations with pending wireless provider permit applicants that would waive lease rates for a period of time as an incentive to undergrounding the wireless equipment carried by a vote of 7-0.

At Mr. Sarkozy's request, Council approved amendment of the agenda to switch the remaining two items.

(f) DSI – Development review performance targets and reporting

Mr. Sarkozy said the goal of the Development Services Initiative (DSI) is to provide a fast, predictable development review process with an emphasis on customer service. The initiative

involves permitting activities in multiple departments including Fire, Transportation, Planning and Community Development, Utilities, and Parks.

Jocelyn Mathiasen, Assistant to the City Manager, recalled staff's July presentation to Council providing a detailed overview of the need for improving the City's permitting processes. Since then, staff prepared an implementation plan to improve development services by focusing on six areas:

- Organization, Oversight, and Accountability – This area addresses the need for the comprehensive management and coordination of citywide development services.
- Smoothest Path – Finding the simplest way for getting a permit through the system.
- Building a Better Customer – This responds to the need to educate customers about the process and to provide clear, consistent standards for what they submit to the City.
- Providing the Tools – Technical tools and management reports to facilitate the process.
- Doing the Right Thing – Determining the appropriate level of requirements to achieve the desired end result.
- Customer service and facilitation – An emphasis on a problem-solver and facilitator approach rather than the regulatory approach that is sometimes followed.

Ms. Mathiasen elaborated on the first area regarding organization and oversight, which will involve performance standards, performance measurement, performance reporting, and staff evaluation and oversight. She identified three pillars of performance: 1) fast, efficient, and predictable, 2) technical quality, and 3) customer service.

Mike Brennan, Building Official, said examples of suggested performance measures include target timelines for all permits and approvals, the number of applications that are complete at submittal, and the number of revisions required throughout the process. He noted the Construction Code Advisory Committee, chaired by Deputy Mayor Degginger, has provided input into the Development Services Initiative.

Mr. Brennan said process timelines for major commercial permits will be negotiated due to the complexity of the projects. For other projects, the following reductions are proposed:

- New single family construction – 50% reduction (from 85 to 42 days)
- Single family addition – 42% reduction (from 36 to 21 days)
- Tenant improvements – 55% reduction (from 31 to 14 days).

Targets have also been established to reduce the number of applications requiring revisions and increase the number of complete applications. Mr. Brennan reiterated the goal to improve customer service by functioning as problem-solvers and facilitators instead of traditional regulators.

Ms. Mathiasen discussed the need to: 1) set clear and consistent expectations for staff across all functions, 2) tie performance to hiring, expectations, training, and evaluation, and 3) train and develop managers to model and manage all aspects of the job. Detailed management reports will

allow staff to track speed, predictability, and efficiency by project and time period. Staff will provide periodic reports to the City Manager and Council regarding overall performance.

Mr. Brennan summarized that the Development Services Initiative will implement major changes citywide. The next update to Council will be provided in December.

- ➡ At 10:00 p.m., Mr. Degginger moved to extend the meeting to 11:00 p.m., and Mr. Mosher seconded the motion.
- ➡ The motion to extend the meeting carried by a vote of 7-0.

Mr. Sarkozy commended staff for the foundational work completed early in the initiative that will help facilitate the necessary and major cultural change within the organization.

Deputy Mayor Degginger is pleased with ongoing improvements within the development review function including enhanced Internet access to many services. He said the Construction Code Advisory Committee supports the recommended DSI performance measures.

Responding to Mr. Lee, Mr. Brennan said the goal is to have all DSI process improvement elements in place by next summer. Processes will be monitored on an ongoing basis.

Responding to Mr. Creighton, Mr. Brennan said permits for water heaters can be obtained through mybuildingpermit.com. In further response, Mr. Brennan said a special, expedited permitting process is in place for items such as storm repairs.

Mayor Marshall suggested DSI would be an interesting and helpful presentation topic for local community organizations such as Kiwanis and the Rotary. She thanked staff for all their hard work.

(e) Preliminary 2003-2004 Budget Overview

Mr. Sarkozy noted that budget binders have been distributed to Council:

- Volume I – Preliminary 2003-2004 Operating Budget
- Volume II – Preliminary 2003-2004 Capital Investment Program (CIP) Plan
- Volume III – Preliminary Budget Detail.

He characterized the budget as holding the line on expenditures while continuing to deliver high-quality services. It proposes reductions and shifts resources to fund Council's priority programs. Staff proposes the use of \$2.5 million from reserves to fund the one-time drop in revenues for the 2003 budget. Staff increases are proposed in only two programs (Medic 14 and Coal Creek Utility District assumption) and both are fully funded by new outside revenues.

Mr. Sarkozy noted that Bellevue's tradition of fiscal conservatism has enabled the City to better withstand the negative impacts of the economic recession. No new taxes are proposed and no new capital dollars will be available. Instead, the budget proposes a reprioritization of items to

meet Council's priorities. These include economic development, encouraging neighborhood investments, human services support, public safety needs, and transportation issues. Water and sewer rates will increase, primarily due to pass-through costs from the City of Seattle and King County Metro.

Brad Miyake, Interim Finance Director, said the budget's 31 funds have been summarized within three categories: general operating funds, the CIP Plan, and internal service operating funds (e.g., self-insurance, motor pool, reserve funds, special purpose funds). The overall budget increases by \$33.8 million, or 4.5%, which compares favorably to a two-year inflation rate of more than 5%. Mr. Miyake reviewed 2003-2004 forecasted expenditures of \$239.7 million and forecasted revenues of \$234.3 million. Staff identified ongoing expenditure reductions totaling \$2.9 million and the one-time use of \$2.5 million in excess reserves to achieve a balanced budget of \$236.8 million.

Mr. Miyake noted that while the national economy is showing signs of recovery, Puget Sound remains in a recession. Office vacancy rates are not expected to return to normal until 2005 and Washington has the second highest unemployment rate in the country (Alaska is first).

Mr. Sarkozy reviewed Council's extensive involvement in the current budget process including study sessions, two Council budget retreats, special meetings, and two public hearings. Consistent with Council direction to maintain transportation as a top priority, staff recommends a CIP Plan in which 58 percent of the funds are allocated to transportation projects. At the same time, the preliminary budget allocates \$6.5 million to the West Lake Hills Neighborhood Investment Strategy. The Public Safety budget includes a slight increase of \$70,000 to fund a downtown police station adjacent to the Transit Center as well as a placeholder in the 2004 budget of \$700,000 in the event funds are needed to create a municipal court.

Mr. Miyake reviewed additional operating budget highlights. The City reduced 6.6 FTEs (full-time employees) representing \$790,000. The following functional areas reflect additional reductions: overtime, temporary help, professional services/consultants, major building maintenance, parking enforcement at parks, travel, training, equipment replacement, furniture and office reconfigurations, and the Housing Trust Fund. In response to Council's priorities, two FTEs have been added to meet Parks and Police information technology needs and one FTE is added to support the Finance/Human Resources Enterprise System project. Staff budgeted \$320,000 for economic development to cover a variety of projects and a placeholder of \$150,000 for overall economic development initiatives. The budget funds \$40,000 for a domestic violence victims advocate program, which was identified as a priority by Council. It includes \$115,000 for potential election costs related to the citizen initiative to change Bellevue's form of government to a Charter City. Human services funding of \$141,000 from the General Fund is based on inflation and Council direction to address the city's increased population.

Joe Guinasso, Financial Manager, reviewed the preliminary 2003-2009 CIP Plan totaling \$232 million, which is \$67 million less than the 2001-2007 CIP Plan. This reduction reflects a decrease in projected revenues in the following areas: sales tax, business and occupation (B&O) tax, general CIP revenue, REET (Real Estate Excise Tax), and grants.

Mr. Sarkozy said the CIP Plan addresses priority projects identified by Council and maintains funding for transportation projects and Parks Department services. He reviewed the schedule for Council's upcoming budget discussions:

- November 4 – Information Technology, Preliminary Budget Volume I
- November 12 – Economic Development, CIP Plan, Preliminary Budget Volumes I & II
- November 18 – Comments by Boards and Commissions, Development Review fees, General Budget issues
- November 25 – General Discussion and Final Direction
- December 9 – Property Tax Levy adoption, Budget adoption, Budget-related ordinances.

Mayor Marshall noted that staff members are available to discuss budget items in more depth with individual Councilmembers.

At 10:48 p.m., Mayor Marshall declared the meeting adjourned.

Myrna L. Basich
City Clerk

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